

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 9, 2019

SCC-CLERK'S OFFICE
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2019 MAY -9 P 2:15

APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUR-2019-00061

For approval to amend its SAVE Plan and
Rider as provided by Chapter 26 of Title 56
(§§ 56-603 *et seq.*) of the Code of Virginia

ORDER FOR NOTICE AND COMMENT

On April 8, 2019, Virginia Natural Gas, Inc. ("VNG" or "Company"), filed with the State Corporation Commission ("Commission") an Application for approval of an amended Steps to Advance Virginia's Energy Plan (the "SAVE Plan" or "Plan") and Rider ("Application")¹ as provided by Chapter 26 of Title 56 of the Code of Virginia ("Code") (§§ 56-603 *et seq.*, the "SAVE Act"). Specifically, VNG seeks approval of a third amended SAVE Plan ("SAVE Phase 3") amending the Company's SAVE Plan and associated rider (the "SAVE Rider" or "Rider") previously approved by the Commission under the SAVE Act, and to recover the necessary costs associated therewith.² The Company's proposed SAVE Phase 3 Plan contains amendments to items previously approved under its currently effective SAVE Plan ("SAVE Phase 2"), along with additional expenditures for improvements that were developed through the Company's distribution integrity management program process that occurred post SAVE Phase 2 approval.³

¹ *Application of Virginia Natural Gas, Inc. For Approval to Amend its SAVE Plan and Rider as provided by Chapter 26 of Title 56 of the Code of Virginia (§§ 56-603 et seq.)*, Case No. PUR-2019-00061, Doc. Con. Cen. No. 190410241 (Apr. 8, 2019).

² Application at 1. *See also, Application of Virginia Natural Gas, Inc., for Approval to Amend its SAVE Plan and Rider pursuant to Virginia Code § 56-604*, Case No. PUE-2015-00121, 2016 S.C.C. Ann. Rept. 314, Final Order (Mar. 9, 2016).

³ Application at 7.

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Given the above and in lieu of bifurcating the Company's requests, the Company and the Staff of the Commission ("Staff") agreed to have this case considered under the 180-day timeline that is utilized for new SAVE Plan applications.⁴

In its Application, VNG states that the SAVE Phase 3 Plan is designed to facilitate the cumulative replacement of approximately \$370 million of eligible natural gas infrastructure through the year 2024, with the SAVE Rider commencing September 1, 2019.⁵ Included in this replacement schedule are: Aldyl-A and other plastic pipe installed prior to 1985, cast and wrought iron main, bare and ineffectively coated steel main installed prior to 1971, bare and ineffectively coated steel service lines installed prior to 1971, and copper.⁶

VNG's 2019 SAVE Phase 3 Rider will consist of two factors: (1) an Annual SAVE Factor ("ASF"), to become effective with the first billing cycle in September 2019; and (2) a SAVE Actual Cost Adjustment ("SACA") that will include any over- or under-recovered revenue from the prior year's ASF and be adjusted for the carrying cost on the over- or under-recovered position.⁷ Per the Company, the SACA will also include a crediting mechanism that ensures SAVE Phase 3 eligible plan costs remain "separate from and in addition to all other costs VNG is permitted to recover"⁸

The Company states that its SAVE Phase 3 eligible plan investment will have a six-year term, with a 2019 currently-approved Plan increase from \$35 million to \$40 million, and Plan

⁴ Code § 56-604 B.

⁵ Application at 12.

⁶ *Id.* at 10.

⁷ *Id.* at 11.

⁸ *Id.* at 11.

extension for an additional five years, until 2024.⁹ In addition, increased and proposed investments are requested in the amounts of \$50 million in 2020, \$60 million in 2021, and \$70 million in 2022-2024, for a total six-year capped investment of \$370 million.¹⁰ VNG has requested the Commission grant ". . . up to a \$6 million variance in 2019, \$8 million variance in 2020, a \$9 million variance in 2021, and a \$10 million variance in each year from 2022-2024, with a total program variance of up to \$10 million."¹¹

Per the Company, the Plan and Rider will increase customers' bills through a monthly fixed fee (which varies by rate schedule) with residential customers paying \$2.68 per month (2019-2020).¹² Each year's total revenue requirement will be allocated on a prospective basis, which VNG states will ". . . ensure customers of declining or growing rate schedules do not bear proportionately more or less of the overall revenue burden" ¹³

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2019-00061.

(2) As provided by Code § 12.1-31 and Rule 5 VAC 5-20-120, *Procedure before Hearing Examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), a Hearing Examiner is appointed to rule on any discovery matters that may arise in this proceeding.

⁹ *Id.* at 15.

¹⁰ *Id.*

¹¹ *Id.* at 15-16.

¹² *Id.* at 13 and B. O' Farrow Testimony (Attached to Application) at p. 12/line 17 (*see also*, Schedule 3 to Witness O' Farrow's Testimony).

¹³ *Id.* at 13.

(3) On or before May 31, 2019, the Company shall cause a copy of the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA NATURAL GAS FOR APPROVAL OF THE
COMPANY'S REQUESTED SAVE PLAN AND RIDER
CASE NO. PUR-2019-00061

On April 8, 2019, Virginia Natural Gas, Inc. ("VNG" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") pursuant to § 56-603 *et seq.* of Chapter 26 of Title 56 of the Code of Virginia, the Steps to Advance Virginia's Energy Plan ("SAVE") Act, and 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure. The Company filed this request pursuant to the SAVE Act, seeking approval to implement a SAVE plan ("Plan") and an associated rider (SAVE "Rider" or "Rider") (collectively referred to herein as "SAVE Phase 3"), to recover the necessary costs associated with the implementation of the Plan. The Company's proposed SAVE Phase 3 Plan contains amendments to items previously approved under its currently effective SAVE Plan ("SAVE Phase 2"), along with additional expenditures for improvements that were developed through the Company's distribution integrity management program process that occurred post SAVE Phase 2 approval. The Company states that the SAVE Phase 3 Plan is designed to facilitate the cumulative replacement of approximately \$370 million of eligible natural gas infrastructure through the year 2024, with the SAVE Rider commencing September 1, 2019. Included in this replacement schedule are: Aldyl-A and other plastic pipe installed prior to 1985, cast and wrought iron main, bare and ineffectively coated steel mains installed prior to 1971, bare and ineffectively coated steel service lines installed prior to 1971, and copper.

VNG's 2019 SAVE Phase 3 Rider will consist of two factors: (1) an Annual SAVE Factor ("ASF"), to become effective with the first billing cycle in September 2019; and (2) a SAVE Actual Cost Adjustment ("SACA") that will include any over- or under-recovered revenue from the prior year's ASF and be adjusted for the carrying cost on the over- or under-recovered position. Per the Company, the SACA will also include a crediting mechanism

that ensures SAVE Phase 3 eligible costs remain "... separate from and in addition to all other costs VNG is permitted to recover"

The Company states that its SAVE Phase 3 eligible plan investment will have a six-year term, with a 2019 currently-approved Plan increase from \$35 million to \$40 million, and Plan extension for an additional five years, until 2024. In addition, proposed investments are requested in the amounts of \$50 million in 2020, \$60 million in 2021, and \$70 million in 2022-2024, for a total six-year capped investment of \$370 million. The Company has requested the Commission grant "... up to a \$6 million variance in 2019, \$8 million variance in 2020, a \$9 million variance in 2021, and a \$10 million variance in each year from 2022-2024, with a total program variance of up to \$10 million."

Per VNG, the SAVE Phase 3 Plan and Rider will increase customers' bills through a monthly fixed fee (which varies by rate schedule) with residential customers paying \$2.68 per month (2019-2020). Each year's total revenue requirement will be allocated on a prospective basis, which VNG states will "... ensure customers of declining or growing rate schedules do not bear proportionately more or less of the overall revenue burden"

TAKE NOTICE that the Commission may adopt rates that differ from those appearing in the Company's Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The details of these and other proposals are set forth in the Company's Application. Interested persons are encouraged to review the Company's Application and supporting exhibits for the details of these proposals.

The Commission entered an Order for Notice and Comment that, among other things, directed the Company to provide notice to the public and provided interested persons an opportunity to comment on the Company's Application.

The public version of the Company's Application, as well as the Commission's Order for Notice and Comment, may be obtained at no charge by submitting a written request to counsel for the Company, Elaine S. Ryan, Esquire, and Andrea D. Gardner, Esquire, McGuire Woods, 800 East Canal Street, Richmond,

Virginia 23219-3916. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and other documents filed in this case are also available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before June 14, 2019, interested persons desiring to participate as a respondent in this proceeding shall file an original and fifteen (15) copies of a notice of participation as a respondent pursuant to Rule 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure. The notice of participation shall be filed with the Clerk of the Commission at the address set forth above or filed electronically by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. The notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUR-2019-00061, and copies thereof shall simultaneously be served on counsel for the Company.

On or before June 14, 2019, any interested person may request that the Commission convene a hearing in this matter by filing a request for hearing with the Clerk of the Commission. If not filed electronically, an original and fifteen (15) copies of the request for hearing shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, at the address set forth above. Requests for a hearing shall refer to Case No. PUR-2019-00061 and shall include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter.

On or before July 12, 2019, any interested person wishing to comment on the Company's Application shall file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to file comments electronically may do so on or before

July 12, 2019, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUR-2019-00061.

A copy of any written comments and requests for hearing shall simultaneously be sent to counsel for the Company at the address set forth above.

The Commission's Rules of Practice and Procedure may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Comment in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

VIRGINIA NATURAL GAS, INC.

(4) On or before May 31, 2019, VNG shall serve a copy of this Order for Notice and Comment on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or upon equivalent officials) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by personal delivery or by first class mail, postage prepaid, to the customary place of business or residence of the person served.

(5) On or before June 14, 2019, the Company shall provide the Commission with the proof of notice and service required by Ordering Paragraphs (3) and (4).

(6) VNG shall promptly make a copy of the Application available to the public, who may obtain a copy of such Application at no charge, by requesting a copy of the same, in writing, from the Company's counsel, Elaine S. Ryan, Esquire, and Andrea D. Gardner, Esquire, McGuire Woods, 800 East Canal Street, Richmond, Virginia 23219-3916. The Application and related documents also shall be available for interested persons to review in the Commission's

Document Control Center, Tyler Building, First Floor, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(7) On or before June 14, 2019, any interested person may participate as a respondent in this proceeding by filing a notice of participation in accordance with 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6). Pursuant to 5 VAC 5-20-80 B, Participation as a respondent, of the Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUR-2019-00061.

(8) On or before June 14, 2019, interested persons may request that the Commission convene a hearing on the Company's Application by filing a request for hearing with the Clerk of the Commission. If not filed electronically, an original and fifteen (15) copies of the request for hearing shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, at the address set forth in Ordering Paragraph (6). Requests for hearing must refer to Case No. PUR-2019-00061 and include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter.

(9) On or before July 12, 2019, interested persons may file comments concerning the issues in this case with Joel H. Peck, Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218. Interested persons desiring to submit comments electronically may do so on or before July 12, 2019, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. Comments shall refer to Case No. PUR-2019-00061.

(10) A copy of any written comments and requests for hearing shall simultaneously be sent to counsel for the Company at the address set forth in Ordering Paragraph (6).

(11) The Staff shall investigate the Application. On or before August 9, 2019, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of a Staff Report containing its findings and recommendations and promptly shall serve a copy of the same on counsel to the Company and all interested persons filing comments or requests for hearing.

(12) On or before August 23, 2019, VNG may file with the Clerk of the Commission any response in rebuttal to the Staff Report, requests for hearing, and any comments filed by interested persons in this proceeding.

(13) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(14) Responses and objections to written interrogatories and requests for production of documents shall be served within four (4) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, of the Rules of Practice, on the day that copies are filed with the Clerk of

the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.¹⁴ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(15) This matter is continued generally pending further order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Elaine S. Ryan, Esquire, and Andrea D. Gardner, Esquire, McGuire Woods, 800 East Canal Street, Richmond, Virginia 23219-3916; Elizabeth B. Wade, Southern Company Gas, Ten Peachtree Place, NE, Atlanta, Georgia 30309; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.

¹⁴ The assigned Staff attorney is identified on the Commission's website: <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2019-00061, in the appropriate box.